



Supplemental Information

Federal Managers' Financial Integrity Act Report

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to report that the General Services Administration's (GSA's) management control and financial management systems, taken as a whole, provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA), Section 2 and Section 4, are being achieved. The content of the enclosed FMFIA report is based on information provided by GSA's managers, as well as on advice provided by the agency's Management Control Oversight Council (MCOC). It is also based on the results of the audit of GSA's Financial Statements, which produced an unqualified opinion for the 12th consecutive year.

Management officials have fully implemented the schedules of corrective actions concerning one material weakness—Programmatic Weaknesses in the Child Care Program—which was cited in earlier FMFIA reports. Managers have evaluated their programs and have attested that their management controls comply with the Office of Management and Budget's (OMB) Circular A-123, *Management Accountability and Control*. The responsible systems managers and financial management officials have evaluated GSA's financial management systems in accordance with OMB Circular A-127, *Financial Management Systems*.

During fiscal year 1999, management control issues surfaced from a variety of sources. The MCOC, under the chairmanship of the Deputy Administrator, examined these issues and corrective actions were developed and implementation began immediately. The Inspector General, in his role as an advisory member of the MCOC, continues to provide useful, constructive suggestions for improving the agency's management control and financial management policies and practices.

The plans and actions to correct our five material weaknesses and three systems non-conformances are addressed in the enclosure to this letter. I consider none of the conditions noted above as being critical to the performance of the agency's missions.

Respectfully,



David J. Barram
Administrator

Enclosure

A. Statistical Summary of Performance

Section 2, Internal Control Systems

Number of Material Weaknesses			
	Number reported for the first time in	For that year, number that have been corrected	For that year, number still pending
Prior Years	46	44	2
1996 Report	1	0	1
1997 Report	2	1	1
1998 Report	1	0	1
1999 Report	0	0	0
Total	50	45	5
Of the total number corrected, how many were corrected in 1999? 1			

Section 4, Financial Management Systems

Number of Non-conformances			
	Number reported for the first time in	For that year, number that have been corrected	For that year, number still pending
Prior Years	8	8	0
1996 Report	0	0	0
1997 Report	1	0	1
1998 Report	2	2	0
1999 Report	2	0	2
Total	13	10	3
Of the total number corrected, how many were corrected in 1999? 2			

NOTE: The non-conformance reported in 1998 pertaining to logical and physical access controls has been closed out and reclassified as part of this year's non-conformance pertaining to the need for better entity-wide system security management and oversight.

B. Material Control Weaknesses

No new material weaknesses in management controls were identified in FY 1999.

Corrective actions were completed on one material weakness identified in previous reports—
Programmatic Weaknesses in the Child Care

Program—and work continued on correcting five others identified between 1995 and 1998. These are described in the following section.

Material Weakness	Calendar Year First Reported	Target Date for Correction in FY 1998 Report	Current Target for Correction
GSA/FPS Control Centers	1995	1999	2000
Level of Federal Protective Police Officers	1995	1999	2000
Multiple Award Schedule Program	1996	1999	2000
Rent Revenue Shortage	1997	1999	2000
Security Enhancements in Federal Buildings	1998	1999	1999

GSA/Federal Protective Service (FPS) Control Centers

A study conducted in FY 1995 disclosed significant risks related to the GSA/FPS control centers. The study indicated that, due to budgetary and personnel constraints accumulating over more than a decade, the control centers have been degraded to a point at which various systems are functioning, but raise risk and liability concerns about their ability to provide an acceptable, efficient, and effective level of performance. The initial plan was to upgrade all regional control centers with state-of-the-art equipment; however, to gain economies of scale, the project has been redirected to consolidate some control centers into mega-centers and establish regional dispatch centers.

In FY 1999, final site construction was completed in Region 5 and NCR. A detailed review will be

performed by September 2000 to ensure that the actions taken are producing the intended positive results.

Level of Federal Protective Police Officers (FPPOs)

A material weakness exists in the Law Enforcement Program which relates to the level of Federal Protective Police Officers (FPPOs). As of September 1995, the current level of FPPOs was 401. This figure did not meet the requirements that existed at the time for Section 10 of the general provisions of Public Law 100-440, which stated, "The Administrator of General Services is authorized and directed to hire up to and maintain an annual average of not less than 1,000 (full time equivalent) positions for Federal Protective Police Officers." Congress repealed the 1,000 FPPO level requirement under Public Law 105-61, signed by the President on October 10, 1997.

GSA has developed a resource allocation model that established the proper level of FPS Police Officers at 724. As of September 11, 1999, the number of FPS Police Officers on board was 646. The FPS has established a new uniformed position, for which 92 positions have been advertised nationwide. We are confident that the current on-board level of FPS uniformed officers will meet the established 724 level by March 2000.

Multiple Award Schedule (MAS) Program

Federal agencies collectively acquire goods and services valued at billions of dollars annually through MAS contracts. The MAS program has several problems, which were identified by agency management and cited in General Accounting Office and GSA Office of Inspector General audits. First, the information that GSA receives from vendors to evaluate prices offered to the

Government is not always accurate, current and complete. Second, the heavy workload in the MAS program may adversely affect the ability of contracting officers to award the most favorable prices for the Government. Third, agencies that use the MAS program may not always comply with applicable ordering procedures.

In previous years, this material weakness was reported as a high-risk area, because the solutions necessitated the involvement of the Office of Management and Budget and, perhaps, the Congress. Also, the Federal Acquisition Streamlining Act significantly altered the conduct of Federal procurement. Implementation of this law continues to be evaluated as to the effect on the MAS program.

Other major milestones call for GSA to implement several contract automation data actions. These include implementing a Contract Modification Audit Trail within the FSS-Online system by August 2000; implementing an Offer Registration System within FSS-Online by November 2000; and preparing a revised action plan to establish goals by December 2000.

Public Buildings Service (PBS) Rent Revenue Shortage

Actual Federal Buildings Fund rent revenues for fiscal years 1996 and 1997 were \$680.5 million less than the amount needed to fund spending authorities provided by the Congress. Immediate action was taken to identify and correct the weakness in revenue projection methodologies and procedures. As a result, GSA notified the Congress in July 1999 of its revised income estimates for fiscal years 1997 and 1998. GSA continues to work to improve its income projection and collection systems and is streamlining both these processes and the lines of accountability for them. PBS adopted a new billing system—the System for Tracking and Administering Real Property (STAR)—with the implementation of a new billing module in June 1998. A budget estimate module is due to come on line by May 2000; and a rent forecasting module by September 2000.

Security Enhancements in Federal Buildings

Improvements are needed in GSA's implementation of security equipment and structural enhancements

recommended by the Building Security Committees. The lack of programmatic controls and approaches resulted in concerns over the implementation and reported status of security countermeasures and the use of designated security upgrade funds for projects that: (1) did not involve a Committee-recommended countermeasure, and (2) lacked Central Office approval. Since this material weakness was identified in FY 1998, GSA has taken a number of steps to implement security countermeasures and accurately report their costs. All corrective actions were due to be completed by December 1999.

C. Systems Non-conformances

As required by Section 4 of the FMFIA and the Federal Financial Management Improvement Act, GSA conducts an annual evaluation to determine whether its financial management systems comply substantially with Federal financial management system requirements, applicable Federal accounting

standards, and the U.S. Government Standard General Ledger at the transaction level.

Based on all review work performed, the following three reportable non-conformances were noted.

Entity-wide System Security Management and Management Oversight

During FY 1999, a review of eight significant GSA financial management system applications disclosed control weaknesses relating to logical and physical access, access monitoring and follow up, security awareness, and IT security program implementation and management oversight. In the absence of such controls and oversight systems, resources (i.e., data, programs, equipment and facilities) remain susceptible to unauthorized access, modification or undue risk.

GSA's Office of the Chief Information Officer (CIO) has agreed to identify a comprehensive set of corrective actions and complete such actions by April 14, 2001, to ensure improved entity-wide system security management and management oversight.

Improved Controls Needed for Systems Development and Implementation Processes

During FY 1999, a review of three recently implemented GSA financial management systems disclosed that better controls were needed relating to systems development and implementation processes within the agency. More specifically, increased standardization was needed to establish more uniform control policies and procedures relating to application development, implementation and change control. Also, increased GSA-wide oversight of systems development and implementation processes was needed to ensure better compliance in this area. Without sufficient standardization of systems development and implementation controls throughout the agency, available systems resources can be wasted or ineffectively used to meet business needs, and inadequately protected against internal or external threats to IT security.

The CIO has agreed to develop a comprehensive set of corrective actions and complete such actions by

April 14, 2001, to improve controls for systems development and implementation processes.

FSS Automated Information Systems Security Controls

During FY 1997, the responsibility for the general support system for three FSS automated information systems was transferred to a commercial data center. Subsequently, these three systems were discovered to be potentially at risk with respect to unauthorized access and the possible consequences thereof. Although additional follow-up work concluded that mitigating controls existed, and there were no significant adverse impacts to the financial statements, corrective actions are being taken to ensure better compliance with OMB Circular A-130, *Management of Federal Information Resources*.

During FY 1998, corrective actions were initiated to address this area of non-conformance. FSS management assigned responsibility for IT security of FSS' general support and the three application systems that were the basis for this finding. In addition, FSS management

expanded the scope of corrective actions to be taken in this area to include all of its financial management systems. A contractor was also obtained to develop a comprehensive IT security plan for all FSS financial management systems.

During FY 1999, additional progress was made to correct this condition. Formal system security plans were developed for the *GSA Advantage!*[™] System and a major FSS data center. Other corrective actions will be completed by December 31, 2000.

D. An Additional Issue

Controls over the Integrity of Rent and Leasing Data

Another issue that surfaced during FY 1999 merits disclosure in this year's FMFIA report. However, this issue was not considered by GSA's Management Control Oversight Council to be a material weakness.

The Office of Inspector General has become increasingly concerned about the reliability of data in the information systems used by

management. In addition, PricewaterhouseCoopers, in their FY 1999 audit of GSA financial statements, identified a reportable condition regarding controls over the integrity of rent and leasing data used to manage the Federal Buildings Fund. PBS is working to further enhance management and financial systems, has identified some areas of concern that need resolution, and has established internal teams to address these issues and to validate the systems' data.

Inspector General's Semiannual Reports to the Congress

Executive Summary for the Period October 1, 1998- March 31, 1999

During this period, we offered our traditional services, including program evaluations; contract and financial auditing; management control reviews; investigative coverage; and litigation support in contract claims, civil fraud and enforcement actions, and criminal prosecutions. In addition, we provided professional assistance through enhanced consulting services designed to help management address potentially serious deficiencies or other concerns.

Program/Operational Reviews

The OIG continued its ongoing reviews of major programs and operations throughout GSA's various components. We focused on GSA's efforts to convert its National Electronic Accounting and Reporting system (NEAR) to be Y2K compliant. The NEAR system is GSA's backbone accounting and financial information system which provides all GSA

components the management information needed to operate and to ensure fiscal responsibility. We determined that the Agency has experienced conversion delays that have resulted in compressed testing time frames. This increases the risk that NEAR may not be adequately tested and could experience problems in the year 2000. We also noted that GSA has not maintained test documentation nor used an independent source to review and validate the tests. Agency management is taking steps to address these issues.

We continued our efforts to review GSA's progress in improving the security of Federal buildings and to correct previously identified problems with the reporting of security equipment installations and the proper use of enhancement funding. We found that GSA has substantially enhanced the security at GSA-controlled facilities since our initial review. However, problems still remain with the accuracy of installation reporting. Consequently, management does not have the data necessary to properly

administer its overall security enhancement program. In a related review, we learned that design plans for building construction and major renovation projects are too accessible to the general public. These plans frequently detail structure and interior space. We expressed concern that free access to these plans could create undue security risks to lives and property. Additionally, we conducted a review of security standards for siting and constructing new and renovated Federal buildings. We concluded that GSA is applying the enhanced security standards where possible. However, not enough time has elapsed for the standards to be applied to all phases of ongoing building projects.

During this reporting period, we conducted a review of the documentation used to substantiate the pricing of change orders associated with a new lease build-out in Washington, D.C. Our review disclosed that over a 3-year period, there were inconsistencies in documentation and justifications supporting over \$15 million in change orders. Overhead fees and

lessor profits were substantially higher than those found in similar GSA lease agreements, and GSA had authorized the change orders without first establishing the source of funds. OIG recommended that GSA management re-emphasize the need for complete and accurate documentation of contract files, and that change orders should not be initiated until the source of funding is firmly established.

In other program reviews, we reported on a wide range of GSA's programs and operations. For example, we recommended that the Public Buildings Service information system data be updated to reflect accurate space usage, and reported that management controls need to be strengthened to ensure the reliability of building financial statements. Furthermore, our review of vacant space revealed that corrective measures must be taken to ensure the reliability of the information system.

Our review of customer satisfaction as it pertains to the use of reimbursable work authorizations found that customers are now more satisfied with services provided. However, there are needs to provide customers

with timely billings, as well as a prompt recovery of funds owed to GSA.

We reviewed regional general and administrative expense details and recommended that GSA management periodically provide data files to verify the accuracy and completeness of the income statement data. We reported that controls over negotiated lease procurements need to be strengthened, and that improvements were needed in documenting, collecting, depositing and reconciling of proceeds from personal property sales. In addition, we reported that customer agencies were unable to obtain information concerning alternative fuel use. We advised management that issues needed to be resolved before reliable alternative fuel purchase information could be obtained.

Working with the Government Performance and Results Act

In accordance with the Government Performance and Results Act of 1993 (GPRA), we performed reviews of selected GSA performance measures and have made preliminary risk assessments of the internal

controls over data supporting these performance measures. This period, we reviewed the Interagency Fleet Management System (IFMS) and the overall design and operation of the internal control system over performance measures reported in the Fiscal Year 1998 *Annual Report*. We reported that IFMS' performance measures do not assess performance in terms of mission accomplishments, and are not sufficiently expressed in measurable results to be achieved to enable adequate evaluation. We also reported that, because there is no clear understanding of responsibilities for ensuring that performance data are verified at the Service levels and for GSA overall, the Agency's ability to collect, process, record, and summarize performance information and report performance measures in accordance with management's criteria could be adversely affected. We have also made our services available to Agency managers in other ways. We have benchmarked with other Federal agencies and the private sector to identify various best practices that

GSA could use to improve its overall strategic and performance planning.

Procurement Integrity

An important part of the OIG's work is to provide support to the Agency's contracting officers and to protect the integrity of GSA's procurement programs and operations by detecting and preventing fraud, waste, and abuse. Based on our audit and investigative work this period, the Government entered into two settlement agreements in which companies agreed to pay nearly \$5 million to resolve potential civil liability under the False Claims Act. These contractors provided construction equipment and road clearing and repair equipment. The settlements involved allegations that they had misrepresented their commercial discount practices in seeking and performing under GSA contracts in violation of the False Claims Act and other statutory and contractual provisions.

We also successfully completed a number of criminal investigations. These included an investigation that resulted in an individual pleading guilty to conspiracy and trafficking in stolen telephone access devices. It was determined that the individual sold stolen calling card numbers to persons in the United States and abroad, who then used the numbers to illegally obtain free long distance service. Other investigations resulted in convictions involving making false statements in connection with a GSA contract, impersonating Federal officials, and a double billing scheme on GSA contracts. Furthermore, we made recommendations to improve controls when using agency credit cards for customer service center procurements. A regional review of operations at a property management center recommended improvements in the preventive maintenance program.

Summary of Results

The OIG made over \$347 million in financial recommendations to better use Government funds, and to save other program costs; made 139 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 140 legislative and regulatory actions; and received 1,551 Hotline calls and letters. This period, we saved over \$356 million due to management decisions on financial recommendations, civil settlements, and investigative recoveries. Despite attaining significant financial results this period, we are extremely concerned about disappointing contract negotiation results in the Multiple Award Schedule Program. During this period, savings realized have markedly declined from historical experience. The OIG is working closely with management to determine the causes and explore ways to improve contract pricing.

***Executive Summary for the
Period April 1, 1999-
September 30, 1999***

During this period, we offered our wide variety of traditional services, including program evaluations; contract and financial auditing; management control reviews; investigative coverage; and litigation support in contract claims, civil fraud and enforcement actions, and criminal prosecutions. In addition, we provided professional assistance through enhanced consulting services designed to quickly inform management of potentially serious deficiencies or other concerns prior to completion of all analytical work and formal report issuance.

Major Issues

In this report, we have highlighted a number of reviews that address major management issues facing GSA. These reviews cover a variety of areas from technology and information systems to building security and health and safety issues. In November 1998, we had identified to members of the Congressional leadership the most serious management challenges currently facing

the Agency. Some of these challenges include the areas of management controls, data security, aging information systems, and protection of Federal buildings and personnel. The significant reports issued this period address many of these critical areas. Still others are being addressed through ongoing and planned reviews. Our efforts during this period focused on the following:

**Technology and
Information Systems**

We continued to focus on GSA's Y2K computer system conversions. We performed a detailed analysis of conversion efforts by the Federal Supply Service (FSS) and Public Buildings Service (PBS). We found that although FSS has converted its mission-critical systems for Y2K compliance, full system testing has not been completed, and there is a lack of adequate testing guidance for systems administrators and programmers. Moreover, FSS has not developed an operational backup plan if mission-critical systems fail. Consequently, FSS cannot be assured that all data exchanges will operate correctly. Additional work must be performed to ensure

the proper operation of the systems by the year 2000. PBS continues to make progress in converting and testing its mission-critical systems. However, to date, PBS's conversion efforts have focused only on the analysis and testing of application software. Additional testing of system components is needed. Because the Year 2000 date is rapidly nearing, our focus now is to evaluate the adequacy of the Agency's plan for maintaining continuity of operations in the event of potential system disruptions.

The Agency is relying increasingly on Local Area Networks (LANs) to electronically access critical computer applications and data and to conduct its daily business. Our LAN security review found that plans have not yet been developed to ensure the continuity of operations in the event these systems are disrupted. Also, we found that GSA data and computer applications are vulnerable to unauthorized access. Improvements in both management controls and physical security controls are needed to prevent unauthorized user access and the altering of LAN accounts, and also for the physical

protection of LAN servers, backup tapes, and other LAN equipment.

We also reviewed two processing systems for financial transactions designed to increase the efficiency of order preparation, improve overall financial management, and provide Internet access for data input, account status, and more accurate and timely data. We found both systems experienced delays in their implementation. However, we also found that when fully implemented, these systems can have a positive impact on the processing of financial information.

In addition, our review of a commercially available electronic acquisition system that was intended to improve the entire acquisition process disclosed that many users viewed the system as cumbersome and lacking user-friendly features, that basic procurement tasks take longer to perform than anticipated, and that the data generated by the new system contain errors that are difficult to correct. Consequently, the reports generated by the system may not accurately reflect current procurement activities.

Building Security Assessments

The OIG continued to review GSA's progress in improving the security of Federal buildings. As part of an ongoing audit, we became aware of instances where contract security guards did not have proper background clearances and where the guards either failed the Federal Protective Service written test or failed to take the test. We concluded that the mission of the Federal Protective Service could be affected if security incidents were to occur involving improperly cleared contract guards.

Health and Safety Issues

During this reporting period, several health and safety concerns were reported to management. We issued five alert reports noting hazardous conditions such as damaged asbestos insulation, elevator safety issues, and sewer and plumbing problems. These problems could pose health and safety problems to tenants. In another review, we looked at one region's efforts to implement the GSA Fire Safety Program, which calls for periodically assessing and correcting fire safety conditions in both

Federally-owned and leased buildings. We found instances where fire safety reviews of various buildings were not scheduled as required and instances where scheduled reviews were not performed. Regional management agreed to take corrective action to ensure that both the proper scheduling and follow-up of reviews occur as planned.

Multiple Award Schedule Program

As part of our ongoing review of GSA's Multiple Award Schedule (MAS) Program, we reviewed the progress GSA was making to accurately set and collect its industrial funding fee, which is necessary to operate the MAS Program. We concluded that the current overall 1-percent fee is set higher than necessary to recover costs and that stronger controls are needed to ensure that contractors accurately report sales and promptly remit the related fees to the Agency. The higher-than-needed fee can result in customers' paying higher prices than necessary. The timely and accurate collection of fees is critical because GSA relies on these fees to operate the program.

Other Program/ Operational Reviews

The OIG continued its ongoing reviews of major programs and operations throughout GSA's various components. One of these reviews, undertaken at management's request, involved a baseline assessment of one regional Antenna Program. GSA is the coordinating agency for the siting of commercial antennas on rooftops of Federal buildings to support the rapidly growing cellular and personal communications services industry. These commercial antennas also generate rent income. We found that although GSA has established a framework for conducting the program, controls are needed to ensure that lessees pay the Government for the utility costs associated with antenna operation. We also found that there was insufficient evidence to ensure that the Government is protected against liability claims, and that there was inadequate documentation to support negotiated prices.

We conducted a review of controls over telecommunications payments. We concluded that controls did exist which

ensured that legitimate payments were made to vendors for services and items purchased. However, we also found that various purchases were misclassified, resulting in improper financial statement records. For example, we found that computer equipment and software had been classified as contract services. GSA needs to properly classify purchases to ensure accurate financial statement records.

We also reviewed the controls over several aspects of GSA's Reimbursable Work Authorization (RWA) process. GSA uses its RWA process as its agreement with customer agencies to make space alterations. We found inconsistent recording of transactions, incomplete documentation, and unreconciled performance data. These inaccuracies make it difficult for GSA to recover its costs and can lead to customer dissatisfaction. Additionally, GSA is in the process of implementing a new financial system that will place RWA data entry responsibilities at the field level. The proper recording of transactions and file documentation will be essential if the new financial management system is to

provide for a better managed RWA process.

We also reviewed at management's request a regional reorganization designed to improve the delivery of services to the client agencies. We concluded that the region made progress toward implementing the reorganization. However, we pointed out that management should test, evaluate, and make changes as needed. In addition, we performed evaluations of the effectiveness of lease termination clauses and lease enforcement actions by regional officials. In one region, the lease termination clauses being negotiated by realty specialists are sometimes ambiguous and subject to misinterpretation. In another region, customers expressed dissatisfaction with the Agency in resolving problems with lessor performance.

Working with the Government Performance and Results Act

In accordance with the Government Performance and Results Act of 1993, we performed reviews of selected GSA performance measures and made preliminary risk assessments

of the internal controls over data supporting these performance measures. This period, we completed a review of two performance measures, Consolidation Savings and Market Penetration, as they relate to the Interagency Fleet Management System (IFMS) operations. We reported that GSA relies on data sources outside its control to support these two measures. Further, the data is not verified. Therefore, we concluded that there is a moderate risk that IFMS does not provide complete or accurate data to support the performance measures.

Procurement Integrity

An important part of the OIG's work is to support the Agency's contracting officers and to protect the integrity of GSA's procurement programs and operations by detecting and preventing fraud, waste, and abuse. Based on our audit and investigative work this period, the Government entered into nine settlement agreements in which companies agreed to pay over \$1.4 million to resolve potential civil liabilities under the False Claims Act. These contractors provided office machines, phone

equipment, construction services, and portable and laboratory emissions testing equipment. The settlements involved allegations that the companies had misrepresented their commercial discount practices, had falsified certifications on construction projects, and had conspired to substitute products in violation of the False Claims Act and other statutory and contractual provisions.

We reviewed the Agency's courthouse construction and contracting practices. We found that the Agency has been effective in controlling costs for unwarranted upgrades and has worked effectively with the courts to benchmark costs and design decisions that meet design guides and congressionally set funding limits. However, the Agency needs to better collect data on contractor performance and evaluation and to improve its oversight of contractors it uses to provide both pre-construction services during the design phase of a project and construction inspections and change order evaluations during construction.

We also performed a review of the management controls for a regional small purchase

procurement program. We concluded that management needs to monitor and verify small purchases made by bankcards, and to ensure that individual cardholders perform monthly reconciliations and adhere to spending limits. Without controls, there is little safeguard against potential misuse or waste, and no assurance that all procurements meet program needs.

Criminal Investigations

We completed an investigation that resulted in five former GSA building supervisors pleading guilty to taking bribes from GSA contractors. The five former employees were among a total of six Government employees and ten private contractors arrested for participating in bribery and kickback schemes in connection with maintenance and construction projects at various Federal buildings and offices.

In addition, we completed a number of other investigations, including an investigation into false representations made in the transfer of a barge crane as excess property, and an investigation into the conversion by a former captain

of the Civil Air Patrol of Government surplus property for his own personal use.

Summary of Results

The OIG made over \$41 million in financial recommendations to better

use Government funds, and in other program costs savings; made 269 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 262 legislative and regulatory actions; and received 1,012

Hotline calls and letters. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$83 million.

These Semiannual Reports may be accessed on the Internet at the following address:

<http://www.gsa.gov/staff/ig/publications.html>

Administrator's Semiannual Management Reports to the Congress

Executive Summary Combining the Semiannual Reports for Fiscal Year 1999

In accordance with the Inspector General Act Amendments of 1988, the Administrator of General Services reports directly to Congress on management decisions and final actions taken regarding audit recommendations issued by GSA's Office of Inspector General (OIG). The Administrator must also provide an explanation when final action has not been taken within one year of an audit's management decision date.

The Administrator's reports are statutorily required on a semiannual schedule for periods ending March 31 and September 30 of each fiscal year. The information below represents a compilation of summary statistics from the two reports issued for fiscal year 1999. Where appropriate to be consistent with this *Annual Report* presentation, six-month totals have been combined to reflect full fiscal year performance.

For a fuller understanding of the statistics presented

below, it should be known that the OIG identifies audit recommendations for cost avoidance as "funds to be put to better use" and distinguishes whether the funds have or do not have an impact on the Agency's budget. Funds categorized as having budget impact involve the obligation process, and audit-related savings of this category may be available for reprogramming. Funds identified as having no budget impact do not involve obligated monies and, therefore, do not have a material effect on the Agency's appropriated funds.

During the fiscal year ending September 30, 1999, management decisions were issued on 191 audit reports. Of this total, 86 audit reports represented \$28,641,446 in disallowed costs and \$401,054,099 in funds to be put to better use. The latter category is comprised of estimated and actual cost avoidance determined to have no impact on the Agency's budget.

By the fiscal year's end, final action was achieved for 143 audits with management decisions identifying

disallowed costs or funds to be put to better use. These audits represent the recovery of \$8,244,480 and the implementation of \$ 24,686,252 of actual cost avoidance determined to have no impact on the Agency's budget.

As of March 31, 1999, 146 audit reports remained open without final action a year after management decision, with 62 of this total under formal administrative or judicial appeal. As of September 30, 1999, 153 audits remained open without final action a year after management decision, with 62 under appeal. The full reports for each semiannual period cite the reasons final actions were not yet taken on the open audits that were not under appeal.

Copies of the semiannual reports may be obtained directly from:

Office of the
Chief Financial Officer
U.S. General Services
Administration
1800 F Street, NW
Washington, DC 20405

<http://www.gsa.gov>

FY 1999 GSA Performance against Performance Goals

The following chart shows preliminary data on the agency's performance in FY 1999 against the *GSA FY 1999/2000 Performance Plan* for the year that was submitted to Congress in accordance with the Government Performance and Results Act. This chart sets forth the performance goals and measures, the baseline performance in FY 1998, the FY 1999 targets and the actual performance in FY 1999 against the targets for the year. In addition, the symbols in the far right column offer a quick, at-a-

glance indicator of performance on each goal.

For example:

▲ indicates that GSA's performance exceeded its FY 1999 target for that goal.

* indicates that GSA met the target.

▼ indicates that GSA did not meet its target on that goal.

N/A indicates that GSA's performance against that goal could not be measured, either because a target had not been established or because measurement had not been completed.

In some cases, goals, measures, baselines or targets had been revised since the *GSA FY 1999/2000 Performance Plan* was adopted, and in one case, the goal was not implemented because it proved too difficult to measure.

The performance measures reported in the *Annual Report* are consistent with the results reported in the *GSA Annual Performance Report for FY 1999*, which are summarized here. The full text of this report will be submitted to Congress in a separate document.

PUBLIC BUILDINGS SERVICE PERFORMANCE MEASURES

Performance Goals	Performance Measures	FY 1998 Baseline	FY 1999 Actual	FY 1999 Target	FY 1999 Performance vs. Target
OWNED OPERATIONS					
Optimize net revenue to fund capital programs.	Funds from operations, as calculated in dollars per square foot.	\$5.67 (revised baseline)	\$6.63	\$5.44	▲
Reduce the amount of non-revenue producing space in owned buildings to maximize rental income.	Percent of owned inventory not producing revenue.	16%	13.5%	14%	▲
Maintain operations costs that are at or below market rates.	Percentage difference between GSA's operating costs per rentable square foot for office space and private sector costs.	11%	13%	11%	▲

Performance Goals	Performance Measures	FY 1998 Baseline	FY 1999 Actual	FY 1999 Target	FY 1999
					Performance vs. Target
OWNED OPERATIONS (continued)					
Reduce indirect costs as a percentage of revenue. (Revised)	Indirect costs as a percentage of revenue. (Revised)	No baseline established	8.3%	No target established	N/A
Reduce the number of buildings that have protection costs in the high range of the benchmark set by private sector experts while maintaining effective security in Government buildings.	GSA protection costs per square foot versus private sector costs per square foot.	Baseline and future targets to be established when study is completed.			N/A
Increase the percentage of our building tenants that are satisfied with our space and services.	IFMA tenant satisfaction ratings	80% 23.5% "very satisfied"	IFMA survey not final	81% 24% "very satisfied"	N/A
Achieve 100% accreditation of all eligible GSA child care centers.	Percent of eligible child care centers accredited	70%	77%	80%	▼
Maintain/increase the number of children of Federal employees who receive care at GSA child care centers.	Children from Federal families as % of total receiving care in each GSA child care center.	50%	56%	50%	▲
LEASING OPERATIONS					
Recover full costs (direct and indirect) associated with the leasing program, as measured by funds from operations per rentable square foot.	Funds from operations per rentable square foot.	-\$0.34 (revised baseline)	-\$0.25	-\$0.46	▲
Minimize the amount of non-revenue producing space in the leased-space inventory.	Percent of Government-leased inventory not producing revenue.	7%	3.7%	3%	▼
Ensure that PBS costs for leased space are at or below commercial rates.	Comparison of PBS office space leasing costs per rentable square foot and commercial leasing costs per rentable square foot in major markets and by class.	4.9% below	2.2% below	3.0% below	▼

Performance Goals	Performance Measures	FY 1998 Baseline	FY 1999 Actual	FY 1999 Target	FY 1999
					Performance vs. Target
LEASING OPERATIONS (continued)					
Reduce time required to lease space for Federal agencies.	Cycle time on leases (number of days from final requirements until lease award.	180 days	152 days	171 days	▲
Increase tenant satisfaction with leased space.	Percent of tenants that rate PBS leased space and services as satisfactory or better on IFMA tenant satisfaction surveys.	80%	IFMA survey not final	90%	N/A
CONSTRUCTION AND ACQUISITION					
Complete construction projects on time.	Percent of construction projects delivered on time (weighted by cost).	77%	59%	78%	▼
Minimize cost escalations on construction projects.	Project escalations divided by value of construction projects completed each year.	2%	3.6%	2% or less	▼
Increase the percentage of tenants that are satisfied with our space and services in newly constructed buildings.	Percentage of tenants in newly constructed buildings that rate space and services as satisfactory or better.	90%	IFMA study not final	90%	N/A
REPAIRS AND ALTERATIONS					
Complete repair and alterations projects on time.	Percent of repair and alterations projects delivered on time (Weighted by cost).	79%	69%	81%	▼
Minimize cost escalations on repair and alterations projects.	Project escalations divided by the value of repairs and alterations projects completed each year.	2%	-2%	2% or less	▲

Performance Goals	Performance Measures	FY 1998 Baseline	FY 1999 Actual	FY 1999 Target	FY 1999
					Performance vs. Target
REPAIRS AND ALTERATIONS (continued)					
Meet client agency space needs at the best value to both the client and the taxpayer.	On-time performance guarantees paid vs. guarantees offered.	This measure was not implemented because of the cost and difficulty of entry, capture and reporting of supporting data.			N/A
PROPERTY DISPOSAL					
Dispose of excess property efficiently and effectively.	Dollars of disposals per dollar of resources.	17:1	14:1	15:1	▼
FEDERAL SUPPLY SERVICE PERFORMANCE MEASURES					
SUPPLY AND PROCUREMENT					
Hold costs at current levels while expanding supply and procurement support to Federal agencies, thereby reducing the cost per \$100 sales by 25%.	Cost per \$100 sales.	\$3.51	\$2.85	\$3.08	▲
Increase Federal agencies' use of GSA sources of supply by providing additional products and services and by making it easier to access FSS products and services.	Dollar volume of GSA supply and procurement programs.	\$9.4 billion (revised baseline)	\$12.6 billion	\$11.1 billion (revised target)	▲
Maintain the current proportion of Schedules contracts awarded to small businesses.	Percent of Schedule contracted awarded to small business.	77%	77%	77%	✱
Increase customer satisfaction with supply and procurement programs.	Percent of responses in the "highly satisfied" category.	61%	Results not final	63%	N/A

Performance Goals	Performance Measures	FY 1998 Baseline	FY 1999 Actual	FY 1999 Target	FY 1999
					Performance vs. Target
SUPPLY AND PROCUREMENT (continued)					
Increase the number of products available to Federal customers via electronic systems and Internet connectivity	Number of products accessible through <i>GSA Advantage!</i> TM	500,000	800,000	1 million	▼
VEHICLE ACQUISITION AND LEASING					
Offer an average 20% savings over commercial Black Book prices for 4-cylinder compact sedans.	Percent savings compared to "Black Book" price.	20%	20%	20%	✱
Save taxpayers money by consolidating additional vehicles into GSA's fleet.	Average savings per vehicle consolidated into the fleet.	\$1,200	\$971	\$913	▲
Hold annual increases in the costs per mile for interagency fleet vehicles close to the inflation rate. (revised)	Rate of increase in costs per mile.	(no baseline)	0.7%	2.9%	✱
Increase GSA interagency fleet share of Federal fleet.	Percent of Federal fleet operated by the GSA Interagency Fleet.	43% (revised baseline)	44%	44% (revised target)	✱
Increase customer satisfaction with Vehicle Acquisition and Leasing	Percent of respondents giving a "highly satisfied" rating.	74%	Results not final	78%	N/A
Fill 100% of requests for alternative fuel vehicles.	Percentage of requests filled.	100%	100%	100%	✱
TRAVEL AND TRANSPORTATION					
Achieve significant savings on Federal travel as compared with commercial prices.	Savings on government travel as a percent of the total commercial value of the same travel.	68%	68%	68%	✱

Performance Goals	Performance Measures	FY 1998 Baseline	FY 1999 Actual	FY 1999 Target	FY 1999
					Performance vs. Target
TRAVEL AND TRANSPORTATION (continued)					
Reduce Government's transportation costs by recovering or avoiding excess charges through pre- and post-payment audits of freight and transportation charges.	Increased cost avoidance due to pre-payment audits.	\$2.6 million	\$3 million	\$3 million	✱
	Maintain collections from post-payment audits.	\$15.7 million	\$17.5 million	\$13 million	▲
Maintain savings of 45 - 47% compared to commercial rates for shipment of freight and household goods, and for small package express delivery services.	% savings from commercial rates:				
	Freight	45%	46%	46%	✱
	Household Goods	47%	47.5%	47%	▲
	Small package express	45%	45%	45%	✱
Increase customer satisfaction with FSS travel and transportation programs.	Customer satisfaction survey results:				
	Transportation	4.13	Results not final	4.5	N/A
	Travel	4.38		4.5	
	<i>Scale from 1 to 5</i>				
Increase the percentage of audits performed electronically.	Percent of audits performed electronically	10%	25%	25%	✱
PERSONAL PROPERTY MANAGEMENT					
Maximize cost avoidance through reutilization and donation of excess Federal personal property.	New expenditures avoided through reutilization and donations of excess personal property.	\$1.7 billion	\$1.9 billion	\$1.8 billion	▲
Control costs while effectively performing utilization, donation and sales services.	Dollar volume of Utilization/ Donation transfers per FTE	\$16.3 million	\$17.9 million	\$17.8 million	▲
	Sales proceeds per FTE	\$530,000	\$1.1 million	\$538,000	▲

Performance Goals	Performance Measures	FY 1998 Baseline	FY 1999 Actual	FY 1999 Target	FY 1999
					Performance vs. Target
PERSONAL PROPERTY MANAGEMENT (continued)					
Increase customer satisfaction with Personal Property Management services.	Percent of respondents who report being "highly satisfied."	63%	Results not final	65%	N/A
FEDERAL TECHNOLOGY SERVICE PERFORMANCE MEASURES					
Increase the FTS share of the Federal IT market.	Total business volume as a percent of the Federal IT market.	11.8% (revised to reflect OMB Exhibit 42)	13.7% (revised to reflect OMB Exhibit 42)	12.4% (revised to reflect OMB Exhibit 42)	▲
Improve FTS culture to better serve customers and achieve business results.	Average percent to agree to categories on the annual culture survey.	66%	Survey not conducted in FY 1999	70%	N/A
Reduce acquisition cycle times.	Average calendar days to award contracts				
	• Directed (8a)	29 days	15 days	45 days	▲
	• Sole Source	28 days	27 days	60 days	▲
	• Single Award	50 days	55 days	180 days	▲
	• Multiple Award	239 days	23 days	180 days	▲
• Modifications	53 days	14 days	90 days	▲	
Increase FTS business volumes while covering all expenses.	Business volume [revenue plus pass-through funds] and excess revenues.	\$3.8 billion	\$4.5 billion	\$4.1 billion	▲
		\$26 million	\$69 million	\$18 million	
Increase customer satisfaction with FTS representatives and products/services.	Customer satisfaction ratings on annual FTS survey.	Baselines not determined	IT Solutions: Reps - 84.8%	Actual result used as target	* *
			Services - 82.5%		

Performance Goals	Performance Measures	FY 1998 Baseline	FY 1999 Actual	FY 1999 Target	FY 1999
					Performance vs. Target
Develop new and enhanced service offerings	Number of contracts (valued over \$100,000) awarded for new and enhanced service offerings.	433 contracts awarded	601 contracts awarded	Actual result used as target	✱
FTS long distance prices are competitive with the lowest offerings of commercial prices.	Percent difference between FTS 2000 prices and commercial prices.	15.9% below commercial	15.5% below commercial (estimated)	Competitive with lowest commercial prices	▲
Reduce average monthly local line rate	Average monthly line rate	\$21.01 (revised baseline)	\$19.74	\$19.94	▲

OFFICE OF GOVERNMENTWIDE POLICY PERFORMANCE MEASURES

GOVERNMENTWIDE POLICY INFRASTRUCTURE

Organize, lead and collaborate with Federal agencies to implement requirements of Federal laws and Executive Orders and address Governmentwide issues.	Number of areas with interagency committees	12 of 12	12 of 12	12 of 12	✱
Maintain up-to-date policies and guidelines for those areas in OGP's purview.	Percent of planned regulatory changes completed.	20%	58%	55%	▲
Identify and publish best practices for those areas within OGP's responsibility.	Percent of processes completed.	50%	92%	71%	▲
Develop and promote performance measurement systems for Governmentwide use.	Number of 12 OGP areas with performance measurement systems	1 of 12	7 of 12	7 of 12	✱

Performance Goals	Performance Measures	FY 1998 Baseline	FY 1999 Actual	FY 1999 Target	FY 1999
					Performance vs. Target
GOVERNMENTWIDE POLICY INFRASTRUCTURE (continued)					
Improve accessibility to shared databases and information on best practices and policies for Government, industry and the public's use.	Number of information systems accessible via the Internet.	7 of 9	7 of 9	8 of 9	▼
Establish policies, standards and best practices to help develop an interoperable, single face for Government electronic business transactions	(Revised) Number of: Governmentwide solutions/ best practices		4	4	★
	Governmentwide guidelines	No	3	3	★
	Government/industry collaborative efforts to develop interoperability standards	baselines established	4	5	▼
	Government/industry information sharing Initiatives		7	5	▲
GOVERNMENTWIDE IMPROVEMENT INITIATIVES					
Establish and maintain a core curriculum of classroom and Internet-based courses and increase the number of training instances	New or revised courses developed	No baseline	4	3 (revised)	▲
	Number of training instances. (A training instance is defined as one person completing one course session.)	849	11,157	2,500	▲
Improve the professional skills of present and future Federal IT leaders.	Number of Federal IT professionals in OGP IT leadership programs:				
	<i>1,000 by the Year 2000</i>	700	857	850	▲
	<i>Trail Boss</i> seminars	1,300	1,383	1,400	▼
	<i>Trail Boss</i> Roundup	130	140	140	★
	IRMCO	250	460	300	▲

Performance Goals	Performance Measures	FY 1998 Baseline	FY 1999 Actual	FY 1999 Target	FY 1999
					Performance vs. Target
GOVERNMENTWIDE IMPROVEMENT INITIATIVES (continued)					
Maintain a centralized database that contains sources of Y2K-certified hardware and software, status of agency Y2K compliance, and Federal, State, and local Y2K contingency plans.	Number of Y2K products available in COTS database	2,361	2,371	No target established	N/A
	Percent of Federal and State agencies providing information to database	92%	99%	100%	▼
Provide a "single point of entry" for industry to find opportunities to do business with the Federal government.	Number of agencies using Electronic Posting System	5	12	10	▲
Provide a single electronic entry point to make Government information more accessible to the public.	Number of links by WebGov to other web sites. (revised)	No baseline	Developed beta version prototype website with 1,000 links	Develop beta version prototype website with 1,000 links	✱

Acronyms and Abbreviations Used in This Annual Report

ACES	Access Certificates for Electronic Services	GAO	General Accounting Office
ADR	Alternative Dispute Resolution	GORE	Government-owned Real Estate
AFV	Alternative Fuel Vehicle	GPRA	Government Performance and Results Act
ANSWER	Applications 'n' Support for Widely-diverse End User Requirements	GSA	U.S. General Services Administration
ARNet	Acquisition Reform Network	ID3	International Direct Distance Dialing
BPA	Blanket Purchase Agreement	IDIQ	Indefinite Delivery, Indefinite Quantity
CFO	Chief Financial Officer	IFMS	Interagency Fleet Management System
CINEMA	Electronic Commerce, Internet, and E-mail Access	IG	Inspector General
CITA	Center for Information Technology Accommodation	IRMCO	Interagency Resources Management Conference
CKO	Chief Knowledge Officer	IRS	Internal Revenue Service
CPO	Chief People Officer	IT	Information Technology
CSC	Client Support Center	ITSS	Information Technology Solutions Shop
EBT	Electronic Benefits Transfer	LAN	Local Area Network
EFT	Electronic Funds Transfer	LMI	Logistics Management Institute
EPS	Electronic Posting System	MAA	Metropolitan Area Acquisition (MAA)
FAI	Federal Acquisition Institute	MARCOM	Marketing communications group
FAR	Federal Acquisition Regulation	MAS	Multiple Award Schedule
FAST	Federal Acquisition Services for Technology	MCOC	Management Control Oversight Council
FEDCAC	Federal Computer Acquisition Center	NCR	National Capital Region
FedCIRC	Federal Computer Incident Response Capability	NEAR	National Electronic Accounting and Reporting System
FEDS	Federal Disposal System	OGP	Office of Governmentwide Policy
FEDSIM	Federal Systems Integration and Management Center	OIG	Office of Inspector General
FEMA	Federal Emergency Management Agency	OMB	Office of Management and Budget
FFO	Funds From Operations	OIS	Office of Information Security
FIDNet	Federal Intrusion Detection Network	PBS	Public Buildings Service
FIRM	Foundation Information for Real Property Management	PBX	Private Branch Exchange
FISSP	Federal Information Systems Support	PDD63	Presidential Decision Directive 63
FMFIA	Federal Managers' Financial Integrity Act	RWA	Reimbursable Work Authorization
FPPO	Federal Protective Police Officer	R&A	Repair and Alteration
FPS	Federal Protective Service	SDC	Solutions Development Center
FRS	Federal Relay Service	STAR	System for Tracking and Administering Real Property
FSS	Federal Supply Service	STAR	Strategic and Tactical Advocates for Results
FTS	Federal Technology Service	TMS	Technical and Management Support
		TSC2	Telecommunications Support Contract 2
		WES	Waterways Experiment Station
		WITS	Washington Interagency Telecommunications System
		Y2K	Year 2000



**U.S. General Services
Administration**
1800 F Street, NW
Washington, DC 20405

www.gsa.gov